Belgium Standard Limited
Annual Report 1973

Belgium Standard Limited
Corporate Directory

Board of Directors
Bruno M. Cormier, Montreal, Quebec
Harold H. Davis, Toronto, Ontario
George M. Hobart, Montreal, Quebec
Edward R. Norman, Toronto, Ontario
Robert D. Schulman, New York City, New York

Officers
Harold H. Davis, President & Treasurer
Edward R. Norman C.A., Secretary

Counsel
Fasken & Calvin
Toronto, Ontario

Schulman & Gasarch
New York City, New York

Auditors
Campbell, Sharp, Nash & Field
Toronto, Ontario

Transfer Agent and Registrar
Canada Permanent Trust Company
Montreal, Toronto, St. John and Halifax

Bankers
The Toronto-Dominion Bank

Stock Listing
Montreal Stock Exchange
Symbol — BLG

Head Office
9501 Ray Lawson Boulevard
Montreal 438, Quebec
(514) 352-2020

Executive Office
35 University Avenue East
Waterloo, Ontario
(519) 576-4270

Letter to our Shareholders

Operating Results

Earnings in 1973 were $77,856 or $0.05 per share as compared to $145,090 or $0.13 per share in 1972 when the weighted average number of shares outstanding was less; extraordinary items reduced 1972 earnings by $288,034 to a loss of $142,944 or $0.15 per share.

Revenues increased to $17,827,769 from $7,616,112 in 1972. Of the increase of $10,211,657, $6,664,476 is attributable to waste management services and equipment sales and due principally to the inclusion of Sanitary Refuse Collectors Inc., Montreal, in the accounts for all of 1973 as against only four months in 1972. Sales of automotive parts and accessories and industrial supplies increased by $3,534,048 to $5,836,930 from $2,302,882 reflecting the inclusion for all 1973 of the revenues of Helpert Supply (1962) Limited and United Supply Limited, which were acquired in late 1972 and the acquisition of Downsview Automotive Supply Limited in May 1973. Industrial product division sales (aluminum truck bodies and trailers, conveyors) increased 7% to $2,101,106.

Waste Management

While waste management services accounted for 55% of our revenues, the division did not contribute to earnings during 1973. Both Sanitary Refuse Collectors Inc., in Montreal and Belgium Standard Waste Management Limited (formerly Dominion Disposal Limited) in Toronto are operating profitably in 1974. The recycling plant at Montreal was reactivated in 1973; it contributed to earnings but not sufficiently to offset the increased costs of fuel and disposal and the costs associated with the delay in receipt of new equipment.

In 1974 substantially higher metal and paper prices are yielding increased earnings from the recycling plant and as well the company will have the benefit of a full year's recovery operations. We anticipate that the type of recovery operation will be increased in scope in 1974 and in future years will be an integral part of a sanitary land fill operation.

Escalator clauses in collection contracts are permitting the charging of higher prices in 1974, and with other pricing policy changes and the receipt of the larger and more efficient collection vehicles are all part of the much improved outlook for 1974.

Automotive Aftermarket

The automotive aftermarket is an attractive and growing field. In the latter part of 1973 the company moved to establish Belstan Automotive Warehousing in Toronto, to serve as a central buying office and distribution point. The advantages of volume purchasing and standardization of product lines in the company's outlets are being gained in 1974.

With this improvement in profit margin, the expected internal growth in sales and the opening of new outlets, 1974 should be an even better year than 1973. Particularly pleasing were the operating results of United Supply Limited and Helpert Supply (1962) Limited.

New and larger premises are under construction for our Standard Engines Division in Hamilton to permit increased volume of engine service work and the consolidation in those premises of our Waco Automotive Pump Division.

Industrial Products

This division continues to enjoy a rising demand for its aluminum truck bodies and trailers; the order backlog currently exceeds $700,000. The division has responded well to the difficulties inherent in the acceptance of orders with extended delivery dates. Better profit margins are expected in 1974 and internal growth factors will result in increased sales.

More manufacturing space was provided in 1973 by the extension of the Waterloo plant, the Company's main production facility. Sales of Rolmaster conveyor systems, produced at our Stratford plant, are running substantially higher than in 1973.

General Outlook

We believe that all the areas of manufacturing and service in which the Company is engaged have excellent sales and earnings growth potential and that 1974 and future years will benefit from the consolidation and planning done in 1973. The continuing growth and progress of the Company is and has been made possible by the efforts and dedication of over one thousand employees.

Submitted on behalf of the Board
Harold H. Davis, President

April 4, 1974

Belgium Standard Limited

Consolidated Balance Sheet

December 31, 1973 and 1972

ASSETS	1973	1972
Current		
Cash	$ 58,485	$ 72,878
Accounts receivable	2,425,485	2,254,353
Inventories (Note 2)	2,530,353	2,075,413
Other	301,326	266,780
	5,315,649	4,669,424
Fixed, at cost		
Buildings	1,420,586	1,236,430
Machinery and equipment	2,135,816	1,654,176
Vehicles	3,269,299	2,905,650
	6,825,701	5,796,256
Less: Accumulated depreciation	3,310,773	3,088,124
	3,514,928	2,708,132
Land	688,876	653,924
	4,203,804	3,362,056
Other		
Deposits on contracts	112,967	103,500
Goodwill, at cost	2,034,633	2,678,789
Deferred income taxes	233,176	235,712
	2,380,776	3,018,001
	$11,900,229	$11,049,481

On behalf of the Board

Harold H. Davis, Director.

Edward R. Norman, Director.

LIABILITIES		1973	1972
Current			
Bank advances (Note 3)		$ 1,366,576	$ 719,249
Accounts payable and accrued liabilities		2,599,286	1,769,485
Income taxes payable		181,756	194,475
Current portion of long-term debt		717,742	461,048
Purchase of subsidiaries		8,500	572,479
		4,873,860	3,716,736
Purchase of Subsidiaries		—	790,000
Long-Term Debt (Note 4)		2,119,928	2,360,777
		6,993,788	6,867,513
SHAREHOLDERS' EQUITY			
Capital Stock (Note 7)			
Authorized			
25,000	Preferred shares — 5% cumulative, redeemable, par value $20 each (of which 2,435 have been redeemed or purchased for cancellation)		
3,000,000	Common shares without nominal or par value		
Issued			
13,815	Preferred shares	276,300	276,300
1,278,700	Common shares (1972 — 1,218,500)	3,933,347	3,272,915
		4,209,647	3,549,215
Retained Earnings		696,794	632,753
		4,906,441	4,181,968
		$11,900,229	$11,049,481

Belgium Standard Limited

Consolidated Statement of Earnings

For the Years Ended December 31, 1973 and 1972

	1973	1972
Revenue		
Waste management	$ 9,889,733	$ 3,225,257
Industrial products	2,101,106	1,961,253
Automotive aftermarket	5,836,930	2,302,882
	17,827,769	7,489,392
Gain on Sale of Securities	—	126,720
	17,827,769	7,616,112
Costs and Expenses		
Cost of sales	14,145,834	5,773,035
Selling, general and administrative	2,546,258	1,272,974
Depreciation	706,011	280,153
Amortization of deferred development costs	—	19,800
Interest on long-term debt	196,262	63,929
Interest on bank advances	50,406	38,230
	17,644,771	7,448,121
Earnings before Income Taxes	182,998	167,991
Income taxes	105,142	22,901
Net Earnings before extraordinary items (Note 9)	77,856	145,090
Extraordinary items	—	288,034
Net Earnings (loss) (Note 9)	$ 77,856	($ 142,944)

Consolidated Statement of Retained Earnings

For the Years Ended December 31, 1973 and 1972	1973	1972
Retained Earnings, beginning of year	$ 632,753	$ 843,644
Net earnings (loss)	77,856	(142,944)
	710,609	700,700
Dividends — preferred shares	13,815	13,815
Expenses of common share issue	—	54,132
	13,815	67,947
Retained Earnings, end of year*	$ 696,794	$ 632,753

*Of which $48,700 is designated as capital surplus in compliance with Section 62 of the Canada Corporations Act, and $7,899 is discount on preferred shares purchased for cancellation.

Belgium Standard Limited

Consolidated Statement of Changes in Working Capital

For the Years Ended December 31, 1973 and 1972

	1973	1972
WORKING CAPITAL INCREASED BY		
Operations		
Net earnings (loss)	$ 77,856	($ 142,944)
Depreciation and amortization	706,011	299,953
Deferred income taxes	2,536	(59,565)
Write off of deferred development costs	—	376,330
	786,403	473,774
Issue of common shares, less expenses	660,432	1,945,868
New long-term financing	1,181,893	1,002,742
Liability for purchase of subsidiaries — non-current portion	—	790,000
Cancellation of contingent purchase consideration	705,000	—
	3,333,728	4,212,384
WORKING CAPITAL DECREASED BY		
Additions to fixed assets, net	1,540,111	497,816
Current portion of long-term debt	717,742	213,040
Discharge of liability for purchase of subsidiaries acquired in 1972	790,000	—
Increase in deposits on contracts	9,467	—
Dividends paid	13,815	13,815
Purchase of subsidiaries	109,446	3,921,733
Adjustment of goodwill on cancellation of contingent purchase consideration	705,000	—
	3,885,581	4,646,404
Decrease in Working Capital	551,853	434,020
Working Capital of Subsidiaries at dates of acquisition	40,954	92,991
Working Capital, beginning of year	952,688	1,293,717
Working Capital, end of year	$ 441,789	$ 952,688

Belgium Standard Limited

Notes to Consolidated Financial Statements

December 31, 1973

1. Principles of Consolidation

The consolidated financial statements include the accounts of the company and its subsidiaries, all of which are wholly-owned.

On May 31, 1973 the company acquired Downsview Automotive Supply Limited (nature of business — automotive aftermarket) and the remaining 20% interest in Belgium Standard Waste Management Limited (formerly Dominion Disposal Limited) on July 1, 1973.

These acquisitions have been accounted for by the purchase method and the results of their operations are included from the dates of acquisition.

Fair value of net tangible assets acquired	$ 48,001
Excess of purchase price over fair value of net tangible assets acquired	61,445
Purchase consideration, cash	$ 109,446

2. Inventories

Inventories at December 31 are valued at the lower of cost (FIFO) and net realizable value and consist of:

	1973	1972
Finished goods	$1,760,534	$1,405,377
Work in process	202,049	130,576
Materials and supplies	567,770	539,460
	$2,530,353	$2,075,413

3. Bank Advances

The company and its subsidiary, Belgium Standard Industries (Ontario) Limited, have executed a joint and several floating charge debenture which creates a first floating charge upon the assets and undertaking of these two companies. This debenture secured $871,085 of the bank advances at December 31, 1973. All of the accounts receivable are pledged as security for bank advances.

4. Long-Term Debt

	1973	1972
Mortgages payable — at interest rates varying from 6% to 9¾%	$ 763,226	$ 765,395
Notes and purchase agreements payable		
— non interest bearing	434,090	1,071,680
— 10½%	295,000	—
Liens payable — interest at 10½%	1,345,354	984,750
	2,837,670	2,821,825
Less: Portion due within one year included in current liabilities	717,742	461,048
	$2,119,928	$2,360,777

The long-term debt is repayable as follows:

1974	$ 717,742
1975	569,334
1976	434,341
1977	389,941
1978	280,036
Subsequent to 1978	446,276
	$2,837,670

5. Long-Term Leases

The aggregate annual rental obligation under property leases and equipment and vehicle leases over the next five years is as follows:

	Property	Equipment and Vehicles
1974	$ 107,000	$ 143,000
1975	97,000	115,000
1976	82,000	83,000
1977	56,000	64,000
1978	29,000	10,000

6. Renegotiation of Purchase Price of Subsidiary Acquired in 1972

In March 1974, the company and the vendor of Sanitary Refuse Collectors Incorporated agreed to cancel the contingent purchase consideration of $1,000,000 in consideration of $295,000 payable to the vendor ($35,000 cash on March 25, 1974 and a promissory note for $260,000 payable over 5 years).

This transaction has been reflected in the financial statement for 1973 by reduction in goodwill.

7. Capital Stock

During 1973, 60,200 common shares were issued for a cash consideration of $660,432. Of these shares, 60,000 were issued to holders of share purchase warrants, and 200 were issued under stock options granted to employees of the company. At December 31, 1973, 140,000 common shares were reserved for issuance against the exercise of share purchase warrants at $12 per share up to September 13, 1974, at which time the warrants expire.

At December 31, 1973 the company had an employees' incentive stock option plan under which 31,300 common shares were reserved for the granting of options at prices not less than the fair market value of the shares at the time the options were granted. At that date there were options on 28,900 shares granted at $2.16 per share and expiring on September 4, 1975.

By supplementary letters patent dated January 15, 1973, the authorized and issued common shares were subdivided on a two for one basis.

8. Directors' and Officers' Remuneration

	1973		1972	
	Number	Amount	Number	Amount
Directors	5	$ 6,750	5	$ 1,875
Officers	3	55,404	3	60,000
Number of officers who are directors	2		3	

9. Earnings per Common Share

	1973	1972
Earnings per common share, before extraordinary items	$.05	$.13
Earnings (loss) per common share	.05	(.15)

Earnings per common share are based on the weighted average number of common shares outstanding during each year (1973 — 1,270,641 shares; 1972 — 1,065,600 shares).

Exercise of share purchase warrants and employees' incentive stock options outstanding would not dilute the earnings per common share.

10. Commitment

The company is committed to purchase vehicles in the amount of $1,545,000. Long-term financing has been arranged for these purchases at 10½% per annum, repayable over a five year period. The principal portion of the 1974 payments (including $124,000 payable on delivery) will be approximately $418,000.

11. Subsequent Events

Subsequent to December 31, 1973 the company has arranged for a loan in the amount of $375,000. This loan is secured by specific assets, bears interest at 10½% per annum and is repayable in monthly instalments of $6,322 principal and interest commencing in March 1974.

AUDITORS' REPORT

To the Shareholders of
Belgium Standard Limited

We have examined the consolidated balance sheet of Belgium Standard Limited and subsidiaries as at December 31, 1973 and the consolidated statements of earnings, retained earnings and changes in working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and changes in their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Campbell Sharp Nash & Field
Chartered Accountants

Toronto, March 27, 1974

BELGIUM STANDARD

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BATON BROADCASTING INCORPORATED

INTERIM REPORT

For the six months ended February 28, 1973

BATON BROADCASTING INCORPORATED

INTERIM FINANCIAL REPORT
(unaudited)

FOR THE SIX MONTHS ENDED FEBRUARY 28, 1973
(with comparative figures for 1972)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	1973	1972
Revenue:		
Air time sales net of agency commissions and discounts	$10,648,578	$ 8,401,169
Production revenue	4,257,923	3,386,872
Football operating income	1,917,812	1,899,352
	16,824,313	13,687,393
Operating expense	12,806,025	10,218,997
Operating profit before the following	4,018,288	3,468,396
Deduct:		
Depreciation	645,097	464,895
Interest expense (net of investment income)	387,449	368,206
	1,032,546	833,101
Net profit before income taxes	2,985,742	2,635,295
Income taxes	1,420,128	1,298,862
NET PROFIT FOR THE PERIOD	$ 1,565,614	$ 1,336,433
Number of shares outstanding (note 1)	6,700,000	5,925,000
Net earnings per share	23.4¢	22.5¢

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	1973	1972
Source of funds:		
From operations —		
Net profit for the period	$ 1,565,614	$ 1,336,433
Add items not involving an outlay of funds:		
Depreciation	645,097	464,895
Deferred income taxes	229.000	320.000
	2,439,711	2,121,328
Proceeds from issue of shares	5,125,000	5,675,250
Proceeds from term financing		3,500.000
	7,564,711	11,296,578
Application of funds:		
Dividends paid	322,500	
Purchase of fixed assets	840,590	454,880
Investments	99,590	1,788,451
Share issue expenses	100,000	153,711
Retirement of long term debt	4,255,554	780,069
	5,618,234	3,177,111
Increase in working capital	1,946,477	8,119,467
Working capital, deficiency beginning of period	(1,274,244)	(7,841,227)
Working capital, end of period	$ 672,233	$ 278,240

NOTE TO FINANCIAL STATEMENTS:

1. The issued and unissued common shares of the Company were subdivided on a two-for-one basis on November 1st, 1972. Earnings per share for both 1973 and 1972 have been calculated on the split basis.

On November 27, 1972 the Company issued 500,000 common shares for an aggregate net

TO THE SHAREHOLDERS

Consolidated net earnings of Baton Broadcasting Incorporated for the six months ended February 28, 1973 totalled $1,565,614 or 23.4 cents per share compared to $1,336,433 or 22.5 cents per share for the same period in 1972.

The 1973 operating results include CFQC Broadcasting Limited (radio and television stations in Saskatchewan), Confederation Broadcasting (Ottawa) Ltd. (radio station CFGO in Ottawa) and Coconut Grove Enterprises Corporation (a Florida theatre, restaurant and shopping complex). The results of these companies were not included in the 1972 figures. The overall increase in air time revenues for the six-month period is 27.8% over the corresponding period a year ago.

I am pleased to advise you that your Board of Directors have approved a dividend of five cents per common share payable May 1, 1973 to shareholders of record April 16, 1973. This dividend will be paid out of 1971 capital surplus.

JOHN W.H. BASSETT

President and Chairman of the Board